

### KEY UPCOMING DATA & EVENTS THIS WEEK

#### GLOBAL US

- May 7: Consumer credit (Mar)
- May 8: Fed's Powell speaks at IMF/SNB Conference
- May 10
  - CPI (Apr)
  - Initial jobless claims (May 5)
- May 11: UM consumer confidence (May)

#### EUROZONE

- May 5: DE: Industrial orders (Mar)
- May 6
  - DE: Industrial production (Mar)
  - DE: Trade balance (Mar)
- May 10: ECB publishes Economic Bulletin

#### UK

- May 10
  - Industrial production (Mar)
  - Trade balance (Mar)
  - BoE MPC meeting
  - BoE Inflation Report

#### SEE

##### BULGARIA

- May 9
  - Industrial production (Mar)
  - Retail sales (Mar)
- May 11: Trade balance (Mar)

##### ROMANIA

- May 7
  - T-bonds auction
  - MPC announcement
- May 9: Net wages (Mar)
- May 10: Trade balance (Mar)
- May 11: Industrial production/sales (Mar)

##### SERBIA

- May 7: PPI index (Apr)
- May 8: T-bonds auction
- May 10: MPC announcement
- May 11: HICP (Apr)

Source: Reuters, Bloomberg,  
Eurobank Research

## HIGHLIGHTS

### WORLD ECONOMIC & MARKET DEVELOPMENTS

**GLOBAL MARKETS:** Global equity markets traded in the black on Thursday with energy shares registering the highest gains, as crude oil prices continued to trend higher following US President Donald Trump's announcement that the US will withdraw from the Joint Comprehensive Plan of Action and re-impose a wide range of sanctions mainly on the petroleum sector. Rising oil prices have kept US Treasury yields on elevated levels amid increased inflation worries. Regarding EMU periphery sovereign bonds, the largest movements were observed in Italian government debt, with the 10-yr yield hitting a 7-week high of 1.94% as the 5SM and the far-right League political parties have informed Italian President Mattarella that they moved closer to the formation of a government of anti-establishment parties. In FX markets, the DXY dollar index consolidated around levels of 93.000 in European trade on Thursday, remaining within distance from yesterday's 5-month high of 93.416 in view of the recent uptrend in US Treasury yields and ahead of the US consumer price inflation data later in the day expected to show accelerating headline and core prices.

**GREECE:** According to the Hellenic Statistical Authority (ELSTAT), the total value of imports-arrivals, for the 3-month period from January to March 2018 amounted to €13,191.0 million in comparison with €13,419.7 million for the corresponding period of 2017, recording a drop of 1.7%. The total value of exports-dispatches, for the 3-month period from January to March 2018 amounted to €7,849.3 million in comparison with €6,910.4 million for the corresponding period of 2017, recording an increase of 13.6%. According to the Ergani information system, in April 2018 there was a net increase in employment by 100,246 jobs compared with 92,132 jobs in April 2017.

### SOUTH EASTERN EUROPE

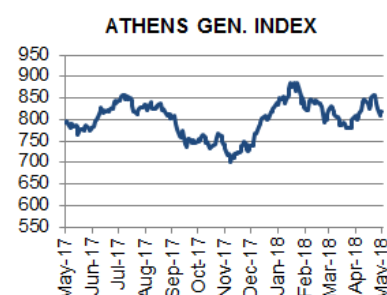
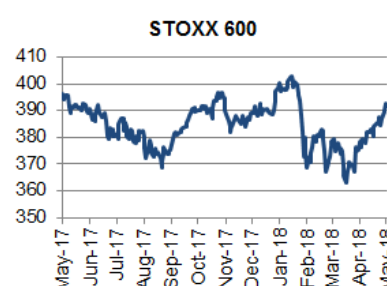
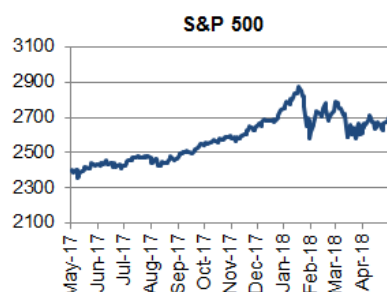
**CESEE MARKETS:** Emerging market assets broadly firmed earlier on Thursday as the US dollar lost some ground from recent highs, while rising oil prices provided support to related assets. In FX markets, the Turkish lira extended yesterday's recovery but remained within distance from this week's record lows after an unscheduled meeting between President Tayyip Erdogan and his economic advisors to discuss the recent developments on the domestic currency and economy. In other news, the National Bank of Serbia vindicated expectations at its MPC meeting today that it would stay put on its monetary policy, maintaining the key policy rate at the record low of 3.00%.

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## Latest world economic & market developments

### GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Global equity markets traded in the black on Thursday with energy shares registering the highest gains, as crude oil prices continued to trend higher following US President Donald Trump's announcement that the US will withdraw from the Joint Comprehensive Plan of Action (aka Iran nuclear deal) and re-impose a wide range of sanctions mainly on the petroleum sector. In particular, Brent crude oil was rising ca. 1.0% in European trade on Thursday hitting a fresh 3 ½ high of \$78/br and marking cumulative gains of roughly 17.0% year-to-date. Rising oil prices have kept US Treasury yields on elevated levels amid increased inflation worries, with the 10-yr yield trading around 2.97% in European trade at the time of writing within distance from Wednesday's two-week high of 3.01%, while its German counterpart eased to 0.540% following a multi-session intraday high of 0.584%. Regarding EMU periphery sovereign bonds, the largest movements were observed in Italian government debt, with the 10-yr yield hitting a 7-week high of 1.94% as the 5-Star Movement and the far-right League political parties have informed Italian President Mattarella that they moved closer to the formation of a government of anti-establishment parties. This development followed Leader of the Forza Italia Party Silvio Berlusconi's statement late on Wednesday that should another force of the center-right form a new government with the 5SM party, he "would not impose vetoes or pre-conditions". In FX markets, the DXY dollar index consolidated around levels of 93.000 in European trade on Thursday, remaining within distance from yesterday's 5-month high of 93.416 in view of the recent uptrend in US Treasury yields and ahead of the US consumer price inflation data later in the day expected to show accelerating headline and core prices. Consensus estimates of April US CPI are for a rise to 2.5% YoY from 2.4% in March, and an acceleration of core CPI to 2.2%YoY from 2.1% in the prior month. The EUR/USD was rising modestly at the time of writing to 1.1888, having hit 4-½-month low of 1.1823 intraday on Wednesday. Elsewhere, the GBP/USD traded around 1.3600 above Tuesday's 4-month low of 1.3485 ahead of the Bank of England meeting later in the day where markets expect the Central Bank to keep interest rates on hold amid weaker-than-expected UK economic data and renewed Brexit worries.

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### GREECE

According to the Hellenic Statistical Authority (ELSTAT), the total value of imports-arrivals, for the 3-month period from January to March 2018 amounted to €13,191.0 million in comparison with €13,419.7 million for the corresponding period of 2017, recording a drop of 1.7%. The corresponding change excluding oil products recorded a drop of €331.2 million or 3.3% and the corresponding change excluding oil products and ships recorded an increase of €722.6 million or 8.4%. The total value of exports-dispatches, for the 3-month period from January to March 2018 amounted to €7,849.3 million in comparison with €6,910.4 million for the corresponding period of 2017, recording an increase of 13.6%. The corresponding change excluding oil products recorded an increase of €641.4 million or 13.4% and the corresponding change excluding oil products and ships recorded an increase of €654.3 million or 13.8%. Meanwhile, according to the Ergani information system of the Ministry of Labour, Social Security and Social Solidarity, in April 2018 there was a net increase in employment by 100,246 jobs compared with 92,132 jobs in April 2017. For the period January to April 2018 the net increase in employment was 155,826 jobs against 125,770 jobs in the corresponding period of 2017.

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Thursday 10 May 2018

BULGARIA: Indicators	2016	2017e	2018f
Real GDP growth %	3.9	3.8	3.8
CPI (pa, yoy %)	-0.8	2.1	2.4
Budget Balance/GDP*	1.6	0.8	-1.0
Current Account/GDP	5.4	5.0	4.5
EUR/BGN (eop)	1.9558		
	2016	current	2017
Policy Rate (eop)	N/A	N/A	N/A

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

CYPRUS: Indicators	2016	2017e	2018f
Real GDP growth %	3.0	3.8	3.6
HICP (pa, yoy %)	-1.2	0.7	1.0
Budget Balance/GDP*	0.4	0.2	0.4
Current Account/GDP	-5.7	-5.4	-6.2

\* ESA 2010

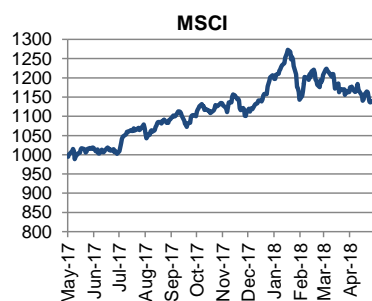
Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

ROMANIA: Indicators	2016	2017e	2018f
Real GDP growth %	4.8	7.0	4.0
CPI (pa, yoy %)	-1.6	1.3	3.5
Budget Balance/GDP*	-2.4	-3.0	-4.4
Current Account/GDP	-2.2	-3.5	-4.0
EUR/RON (eop)	4.54	4.67	4.70
	2017	current	2018
Policy Rate (eop)	1.75	2.50	3.00

\* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

SERBIA: Indicators	2016	2017e	2018f
Real GDP growth %	2.7	1.9	3.0
CPI (pa, yoy %)	1.1	3.2	3.0
Budget Balance/GDP	-1.3	0.5	-0.6
Current Account/GDP	-3.1	-5.7	-4.7
EUR/RSD (eop)	123.40	118.2	116.5
	2017	current	2018
Policy Rate (eop)	3.50	3.00	3.00

Source: Reuters, Bloomberg, Eurobank Research,  
National Authorities

L-T ccy	Moody's S&P	Fitch
SERBIA	Ba3	BB
ROMANIA	Baa3	BBB-
BULGARIA	Baa2	BBB-
CYPRUS	Ba3	BB+

## Latest economic & market developments in the CESEE region

### CESEE MARKETS

Emerging market assets broadly firmed earlier on Thursday as the US dollar lost some ground from recent highs, while rising oil prices provided support to related assets. Against this backdrop, the MSCI Emerging Market index rose by ca 0.8% on the day in European markets poised to mark the fourth session in a row in the black, being primarily boosted by Asian equity markets. Most regional bourses posted modest advances earlier today, with Romania's BETI leading the way higher and Bulgaria's and Turkey's main indices bucking the positive trend to register respective losses to the tune of 0.2% and 0.8% compared to the prior session's settlement.

In FX markets, the Turkish lira extended yesterday's recovery but remained within distance from this week's record lows after an unscheduled meeting between President Tayyip Erdogan and his economic advisors to discuss the recent developments on the domestic currency and economy. The said meeting's outcome was an agreement that necessary measures will be taken to ease interest rates pressure and support the lira. The Turkish currency has lost significant ground over recent weeks/months, currently being placed amongst the worst performing in the Emerging Market space so far this year. Albeit the recent rise in USTs and the USD have weighed in risky assets around the globe, the lira has fared worse due to the country's elevated external financing requirements, high inflation in tandem with the lack of more aggressive Central Bank monetary policy response and heightened geopolitical risks globally. In more detail, the USD/TRY hovered around levels of 4.2670 in European trade today, 0.2% lower on the day but just 2.4% off from yesterday's intraday record high near 4.3435.

In other news, the National Bank of Serbia (NBS) vindicated expectations at its MPC meeting today that it would stay put on its monetary policy, maintaining the key policy rate at the record low of 3.00%. The Committee's latest decision follows two consecutive 25bps rate cuts in the prior two months. Behind its decision, NBS cited expectations that annual inflation reached in April this year's low adding that it anticipates CPI to remain close to the lower bound of the 3.0±1.5% tolerance band target by the end of 2018 and approach the midpoint by H22019. Furthermore, it stressed that inflation pressures remain weak noting that this is also signaled by the core inflation which reached a new record low in March. Nonetheless, the Executive Board reiterated several risks in its accompanying statement, mostly of external nature, such as movements in global oil prices, increasingly diverging monetary policies of major Central Banks and uncertainty surrounding their future normalization paths. That said, the Committee highlighted once again the domestic economy's resilience in the event of an adverse impact from these factors. Looking ahead, our baseline scenario remains for the MPC to stay put on its monetary policy until year-end, as the recent retreat in inflation is mostly driven by temporary factors – namely, base effects – and is expected to eventually move higher as domestic demand dynamics improve further, labour market conditions remain tight and some fiscal loosening takes place in 2018, while external risks linger.

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Thursday 10 May 2018

GLOBAL MARKETS

Stock markets

	Last	ΔD	ΔYTD
S&P 500	2697.79	1.0%	0.9%
Nikkei 225	22497.18	0.4%	-1.2%
STOXX 600	391.82	-0.2%	0.7%

FOREX

	Last	ΔD	ΔYTD
EUR/USD	1.1874	0.2%	-1.1%
GBP/USD	1.3591	0.3%	0.5%
USD/JPY	109.68	0.1%	2.7%

Government Bonds

(yields)	Last	ΔDbps	ΔYTD bps
UST - 10yr	2.98	-3	57
Bund-10yr	0.55	-1	12
JGB - 10yr	0.05	0	1

Commodities

	Last	ΔD	ΔYTD
GOLD	1315	0.2%	0.9%
BRENT CRUDE	78	0.4%	16.0%
LMEX	3334	0.5%	-2.5%

SERBIA

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	2.29	-1	-23
1-week	2.41	0	-20
1-month	2.59	-1	-26
3-month	2.86	0	-26
6-month	3.06	0	-18

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	3.60	5	-68
5Y RSD	4.09	0	-15
7Y RSD	4.54	0	-64

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Feb-20	3.99	-2	100
USD Nov-24	#N/A N/A	#N/A N/A	-13164

CDS

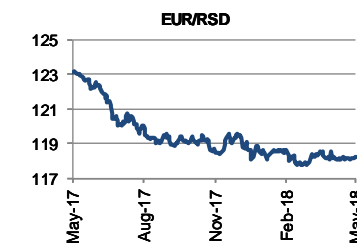
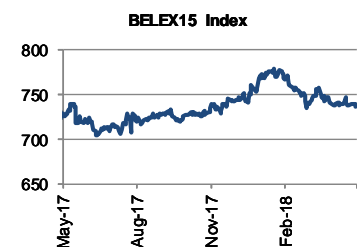
	Last	ΔDbps	ΔYTD bps
5-year	114	1	-4
10-year	163	2	1

STOCKS

	Last	ΔD	ΔYTD
BELEX15	737.7	0.03%	-2.91%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	118.26	-0.12%	0.55%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	2.73	1	164
1-month	2.73	3	86
3-month	2.75	2	70
6-month	2.88	1	61
12-month	2.97	1	65

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	3.75	0	37
5Y RON	4.39	0	61
10Y RON	4.77	0	46

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	1.58	-1	3
USD Jan-24	4.27	-2	127

CDS

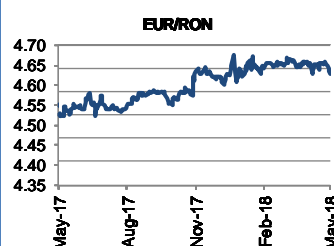
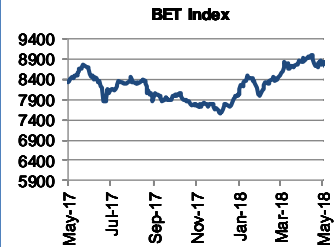
	Last	ΔDbps	ΔYTD bps
5-year	92	0	2
10-year	136	0	3

STOCKS

	Last	ΔD	ΔYTD
BET	8820.2	0.80%	13.75%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.6375	0.17%	0.59%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	0.01	0	1
1-month	-0.28	1	-2
3-month	-0.20	0	-3
6-month	-0.08	0	-3
12-month	0.25	1	-8

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	-0.05	-1	1
5Y BGN	0.20	1	6
10Y BGN	1.07	0	10

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Mar-22	0.13	-1	21
EUR Sep-24	0.78	-2	21

CDS

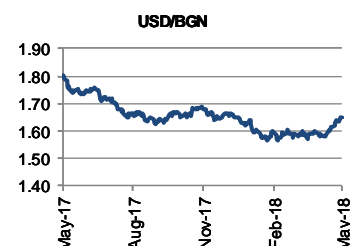
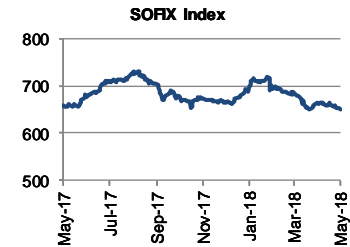
	Last	ΔDbps	ΔYTD bps
5-year	72	1	-24
10-year	114	1	-28

STOCKS

	Last	ΔD	ΔYTD
SOFIX	651.0	-0.18%	-3.90%

FOREX

	0	ΔD	ΔYTD
USD/BGN	1.6473	0.19%	-1.09%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research  
Data updated as of 13:00 EEST

Thursday 10 May 2018

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